

**THE LOUISIANA PHILHARMONIC
ORCHESTRA**

Audits of Financial Statements

June 30, 2013 and 2012



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Independent Auditor's Report

To the Board of Trustees and Members of
The Louisiana Philharmonic Orchestra

Report on the Financial Statements

We have audited the accompanying statements of The Louisiana Philharmonic Orchestra (a non-profit organization) (LPO), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Louisiana Philharmonic Orchestra as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

NEW ORLEANS HOUSTON BATON ROUGE COVINGTON

An Independently Owned Member, McGladrey Alliance

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Other Reporting Requirement by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 17, 2013, on our consideration of The Louisiana Philharmonic Orchestra's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audits.

A handwritten signature in cursive script that reads "LaPorte".

A Professional Accounting Corporation

Metairie, LA
September 17, 2013

THE LOUISIANA PHILHARMONIC ORCHESTRA
Statements of Financial Position
June 30, 2013 and 2012

| | 2013 | 2012 |
|---|---------------------|---------------------|
| Assets | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ 443,304 | \$ 696,104 |
| Certificates of Deposit | - | 300,000 |
| Contributions Receivable, Net | 888,671 | 356,723 |
| Other Current Assets | 115,926 | 126,317 |
| Total Current Assets | 1,447,901 | 1,479,144 |
| Property and Equipment, Net | 259,805 | 294,389 |
| Other Assets | | |
| Contributions Receivable Greater than One Year, Net | 117,370 | 286,106 |
| Investments | 2,500 | 5,000 |
| Interest in Endowment Trust | 868,475 | 823,915 |
| Total Assets | \$ 2,696,051 | \$ 2,888,554 |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Trade Accounts Payable and Accrued Liabilities | \$ 51,767 | \$ 21,420 |
| Notes Payable, Current Portion | - | 223,000 |
| Deferred Revenue - Ticket Sales | 705,808 | 678,752 |
| Total Current Liabilities | 757,575 | 923,172 |
| Long-Term Liabilities | | |
| Notes Payable, Less Current Portion | - | 287,000 |
| Total Long-Term Liabilities | - | 287,000 |
| Net Assets | | |
| Unrestricted | (196,597) | (612,469) |
| Temporarily Restricted | 699,721 | 900,059 |
| Permanently Restricted | 1,435,352 | 1,390,792 |
| Total Net Assets | 1,938,476 | 1,678,382 |
| Total Liabilities and Net Assets | \$ 2,696,051 | \$ 2,888,554 |

The accompanying notes are an integral part of these financial statements.

THE LOUISIANA PHILHARMONIC ORCHESTRA
Statement of Activities
For the Year Ended June 30, 2013

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Revenues and Other Support | | | | |
| Earned Revenue | \$ 1,982,370 | \$ - | \$ - | \$ 1,982,370 |
| Contributions | 3,030,928 | 237,299 | - | 3,268,227 |
| Other Income | 165,496 | - | - | 165,496 |
| Net Assets Released from Restrictions - Satisfaction of Purpose Restrictions for Orchestra Programs | 437,637 | (437,637) | - | - |
| Total Revenues and Other Support | 5,616,431 | (200,338) | - | 5,416,093 |
| Expenses | | | | |
| Orchestra Programs | 3,783,723 | - | - | 3,783,723 |
| Management and General | 537,261 | - | - | 537,261 |
| Marketing | 512,560 | - | - | 512,560 |
| Fundraising and Development | 263,969 | - | - | 263,969 |
| Education | 103,046 | - | - | 103,046 |
| Total Expenses | 5,200,559 | - | - | 5,200,559 |
| Endowment Return in Amounts Designated for Current Operations | - | - | 44,560 | 44,560 |
| Change in Net Assets | 415,872 | (200,338) | 44,560 | 260,094 |
| Net Assets, Beginning of Year | (612,469) | 900,059 | 1,390,792 | 1,678,382 |
| Net Assets, End of Year | \$ (196,597) | \$ 699,721 | \$ 1,435,352 | \$ 1,938,476 |

The accompanying notes are an integral part of these financial statements.

THE LOUISIANA PHILHARMONIC ORCHESTRA
Statement of Activities
For the Year Ended June 30, 2012

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---------------------|---------------------------|---------------------------|---------------------|
| Revenues and Other Support | | | | |
| Earned Revenue | \$ 1,656,887 | \$ - | \$ - | \$ 1,656,887 |
| Contributions | 2,678,496 | 798,065 | - | 3,476,561 |
| Other Income | 140,211 | - | - | 140,211 |
| Net Assets Released from Restrictions - Satisfaction of Purpose Restrictions for Orchestra Programs | 867,841 | (867,841) | - | - |
| Total Revenues and Other Support | 5,343,435 | (69,776) | - | 5,273,659 |
| Expenses | | | | |
| Orchestra Programs | 3,641,031 | - | - | 3,641,031 |
| Management and General | 522,986 | - | - | 522,986 |
| Marketing | 464,174 | - | - | 464,174 |
| Fundraising and Development | 345,008 | - | - | 345,008 |
| Education | 129,578 | - | - | 129,578 |
| Write-Off of Pledges | 200,000 | 200,000 | - | 400,000 |
| Total Expenses | 5,302,777 | 200,000 | - | 5,502,777 |
| Endowment Return in Excess of Amount Designated for Current Operations | - | - | (10,142) | (10,142) |
| Change in Net Assets | 40,658 | (269,776) | (10,142) | (239,260) |
| Net Assets, Beginning of Year | (653,127) | 1,169,835 | 1,400,934 | 1,917,642 |
| Net Assets, End of Year | \$ (612,469) | \$ 900,059 | \$ 1,390,792 | \$ 1,678,382 |

The accompanying notes are an integral part of these financial statements.

THE LOUISIANA PHILHARMONIC ORCHESTRA
Statements of Cash Flows
For the Years Ended June 30, 2013 and 2012

| | 2013 | 2012 |
|---|-------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Change in Net Assets | \$ 260,094 | \$ (239,260) |
| Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities | | |
| Depreciation and Amortization Expense | 75,833 | 75,142 |
| Net Amortization of Investment Discount | 2,500 | - |
| Endowment (Gain) Loss | (44,560) | 10,142 |
| (Increase) Decrease in Contributions Receivable | (363,212) | 851,616 |
| Decrease in Other Current Assets | 10,392 | 39,009 |
| Increase (Decrease) in Trade Accounts Payable and Accrued Liabilities | 30,347 | (61,755) |
| Increase in Deferred Revenue - Ticket Sales | 27,056 | 54,211 |
| Net Cash (Used in) Provided by Operating Activities | (1,550) | 729,105 |
| Cash Flows from Investing Activities | | |
| Proceeds from Maturities of Certificates of Deposit | 300,000 | - |
| Purchase of Certificates of Deposit | - | (300,000) |
| Purchase of Property and Equipment | (41,250) | (43,108) |
| Net Cash Provided by (Used in) Operating Activities | 258,750 | (343,108) |
| Cash Flows from Financing Activities | | |
| Net Payments on Line of Credit | - | (517,447) |
| Net (Payments) Borrowings on Notes Payable | (510,000) | 510,000 |
| Net Cash Used in Financing Activities | (510,000) | (7,447) |
| Net (Decrease) Increase in Cash and Cash Equivalents | (252,800) | 378,550 |
| Cash and Cash Equivalents, Beginning of Year | 696,104 | 317,554 |
| Cash and Cash Equivalents, End of Year | \$ 443,304 | \$ 696,104 |
| Supplemental Disclosure of Cash Flow Information | | |
| Cash Paid for Interest | \$ 25,352 | \$ 29,500 |

The accompanying notes are an integral part of these financial statements.

THE LOUISIANA PHILHARMONIC ORCHESTRA

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies

Organization

The Louisiana Philharmonic Orchestra (LPO) is a non-profit entity formed to establish a symphony to perform classical and other music, to present programs, and to undertake other activities to further the enjoyment of classical and other music by the public.

Basis of Accounting

The LPO's financial statements are presented using the accrual method of accounting. Under this method, revenues are recognized in the period earned, and expenses are recognized in the period in which the benefit is realized. Revenues from ticket sales are recognized when the performances are given.

The LPO reports grants and other contributions of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets, unless that restriction expires in the fiscal year the gifts were received. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. The LPO reports gifts of assets as permanently restricted support if they are received with donor stipulations that permanently restrict the assets from use.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958, the LPO is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the reporting period. Actual results could differ from those estimates.

Contributions

The LPO accounts for grants and other contributions in accordance with FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made*. In accordance with FASB ASC 958-605, contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending upon the existence or nature of any donor restrictions.

THE LOUISIANA PHILHARMONIC ORCHESTRA

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Contributions (Continued)

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Cash and Cash Equivalents

The LPO considers all money-market investment instruments and certificates of deposit with an original maturity of three months or less to be cash equivalents.

Contributions Receivable

Contributions receivable consist of unconditional promises to give to the LPO. Unconditional promises to give are recognized as contribution revenue in the period received and are recorded at their net realizable value. At June 30, 2013 and 2012, contributions receivable were considered to be fully collectible by management.

Investments

Investments are stated at fair market value. The LPO's investments at June 30, 2013 and 2012, consist of interest bearing bonds. Interest income is included as an increase in unrestricted net assets in the accompanying Statements of Activities since its use is unrestricted.

Fair Values of Financial Instruments

The LPO follows the provisions of FASB ASC 820, *Fair Value Measurements*. Under FASB ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FASB ASC 820 establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, as of the reporting date.

THE LOUISIANA PHILHARMONIC ORCHESTRA

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Fair Values of Financial Instruments (Continued)

Level 3 - Valuations based on inputs that are unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement (see Note 13).

The LPO's measurements of fair value are made on a recurring basis, and their valuation techniques for assets and liabilities recorded at fair value are as follows:

Endowment Fund - The fair value is determined by the use of the calculated net asset value per ownership share.

Bonds - The amortized cost of bonds approximates fair value.

Contributions Receivable - The fair value of contributions is equal to the carrying value for contributions expected to be collected within one year. Contributions expected to be collected in future periods are discounted to present value based on management's assumptions.

Property and Equipment

Property and equipment, including the music library, are stated at cost, except for donated assets, which are recorded at fair market value on the date of the donation. It is the LPO's policy to capitalize all expenditures for these items. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is ten years for musical instruments and five years for all other property and equipment.

Deferred Marketing Costs / Deferred Revenue - Ticket Sales

The LPO promotes and collects season ticket sales for the subsequent season during the latter part of the current fiscal year. Costs incurred for the promotion of the following season are presented as deferred marketing costs, and revenues generated for the following season are presented as deferred revenue. Both the costs and revenues are recognized systematically throughout the next fiscal year as the season progresses and performances are held.

THE LOUISIANA PHILHARMONIC ORCHESTRA

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Permanently Restricted Net Assets

Permanently restricted net assets totaled \$1,435,352 and \$1,390,792, as of June 30, 2013 and 2012, respectively. These net assets consist of an interest in an endowment as well as contributions received with donor stipulations that require the assets to remain in perpetuity.

Endowments

As disclosed in Note 5, the LPO has several endowments where the recipient organization has variance power over the assets. Also, as disclosed in Note 5, the LPO is the beneficiary of one endowment where the recipient organization does not have variance power. As such, the endowment is recorded as an asset in the Statements of Financial Position. Distributions from this endowment can be made twice a year at the discretion of the trustee in the amount of 4.0% of the average endowment balance for the past twelve quarters, not exceeding the expected long-term investment return of the endowment. Distributions are classified as unrestricted other income in the Statement of Activities.

Tax Status

The LPO is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Donated Services and Materials

Donated services and materials, if significant in amount, are recorded as contributions at their fair market value, provided the donor has a clearly measurable and objective basis for determining their value. No value is assigned to other donated items if there is no ascertainable basis for assigning the value. During fiscal year 2013 and 2012, the LPO has recorded both revenues and expenses of \$44,303 and \$21,101, respectively, relating primarily to management and general expenses for donated professional services.

Reclassification

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

Note 2. Concentration of Financial Risk

The LPO periodically maintains cash in bank accounts in excess of insured limits. The LPO has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

THE LOUISIANA PHILHARMONIC ORCHESTRA

Notes to Financial Statements

Note 3. Contributions Receivable

Contributions receivable are as follows as of June 30th:

| | 2013 | 2012 |
|---|---------------------|-------------------|
| Unconditional Promises to Give | | |
| Receivable in Less than One Year | \$ 888,671 | \$ 356,723 |
| Receivable in One to Five Years | 118,442 | 287,178 |
| Total Unconditional Promises to Give | 1,007,113 | 643,901 |
| Less: Discounts to Net Present Value | (1,072) | (1,072) |
| Net Unconditional Promises to Give | \$ 1,006,041 | \$ 642,829 |

Pledges expected to be received in more than one year were discounted at 0.15%.

Note 4. Property and Equipment

Property and equipment, net is summarized as follows for June 30th:

| | 2013 | 2012 |
|-----------------------------------|-------------------|-------------------|
| Office Furniture and Equipment | \$ 387,530 | \$ 381,283 |
| Music Library | 129,076 | 122,569 |
| Instruments and Related Equipment | 368,021 | 339,526 |
| | 884,627 | 843,378 |
| Less: Accumulated Depreciation | (624,822) | (548,989) |
| Total | \$ 259,805 | \$ 294,389 |

Depreciation expense for the years ended June 30, 2013 and 2012 amounted to \$75,833 and \$75,142, respectively.

Note 5. Endowments

Several endowments have been established at the Greater New Orleans Foundation (GNOF) for the benefit of the LPO over which GNOF has variance power. As of June 30, 2013 and 2012, these endowments were valued at approximately \$2,623,473 and \$2,439,459, respectively. Distributions from these endowments, which are at the discretion of the GNOF, were \$95,580 and \$89,833, during the years ended June 30, 2013 and 2012, respectively. A new endowment was established, with a gift of \$50,000, at GNOF for the benefit of the LPO for the year ended June 30, 2013.

The LPO has, in the Statements of Financial Position, an interest in an endowment trust in the amount of \$868,475 and \$823,915, at June 30, 2013 and 2012, respectively. GNOF serves as the trustee of the trust. Distributions from the endowment trust were \$32,304 and \$30,356, for the periods ending June 30, 2013 and 2012, respectively.

THE LOUISIANA PHILHARMONIC ORCHESTRA

Notes to Financial Statements

Note 6. Notes Payable

During the year ended June 30, 2013 the note payable to JPMorgan Chase Bank was paid off.

Total interest expense charged to operations during the year ended June 30, 2013 and 2012, were \$25,352 and \$29,500, respectively.

Note 7. Unrestricted Net Assets - Board Designations

The LPO has Unrestricted - Board Designated net assets as of June 30, 2013 and 2012, in the amount of \$38,568. This amount was received as a donation and the funds were added to the Board Designated Funds Functioning as Endowment of the LPO.

The LPO has also designated \$1,256,488 as Unrestricted - Board Designated net assets during the fiscal year ended June 30, 2013. This amount represents the successful start of a Capitalization Campaign. A portion of the funds have been used to retire the Note Payable as discussed in Note 6 and will be used in future periods as directed by the Board.

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods as of June 30, 2013:

| | |
|--------------------------------|--------------------------|
| Periods after June 30, 2013 | \$ 559,218 |
| Specific Programs and Purposes | <u>140,503</u> |
| Total | <u>\$ 699,721</u> |

Temporarily restricted net assets restricted for periods after June 30, 2013, consist primarily of the unreleased amount of grants received from the Mellon Foundation, Pan American Life Insurance Company, Freeport-McMoRan and various individual gifts.

Note 9. Commitments

The Company leases office space and additional storage under a lease agreement. Required minimum lease payments for the office space and additional storage space are as follows for June 30th:

| | |
|--------------|--------------------------|
| 2014 | \$ 46,572 |
| 2015 | 46,572 |
| 2016 | <u>38,810</u> |
| Total | <u>\$ 131,954</u> |

THE LOUISIANA PHILHARMONIC ORCHESTRA

Notes to Financial Statements

Note 9. Commitments (Continued)

Rent expense totaled \$55,319 and \$54,613, for the years ended June 30, 2013 and 2012, respectively.

During the fiscal year ended June 30, 2013, the LPO signed a service contract with a media and marketing consultant. The contract will expire on January 31, 2014 and the total commitment is \$4,000.

Note 10. Functional Expenses

The LPO's expenses classified by functional category for the years ended June 30, 2013 and 2012 are as follows:

| June 30, 2013 | Orchestra Programs | Management and General | Marketing | Fundraising and Development | Education | Total |
|-----------------------------------|-----------------------|------------------------------|-------------------|-----------------------------------|-------------------|---------------------|
| Salaries and Wages | \$ 3,140,264 | \$ 188,606 | \$ 212,396 | \$ 138,100 | \$ 48,721 | \$ 3,728,087 |
| Supplies and Travel | 65,579 | 37,191 | 186,386 | 4,912 | - | 294,068 |
| Services and Professional Fees | 58,471 | 9,253 | - | 453 | - | 68,177 |
| Venue, Office and Other | 519,409 | 226,378 | 113,778 | 120,504 | 54,325 | 1,034,394 |
| Depreciation and Amortization | - | 75,833 | - | - | - | 75,833 |
| Total | \$ 3,783,723 | \$ 537,261 | \$ 512,560 | \$ 263,969 | \$ 103,046 | \$ 5,200,559 |
| June 30, 2012 | Orchestra Programs | Management and General | Marketing | Fundraising and Development | Education | Total |
| Salaries and Wages | \$ 3,000,198 | \$ 204,904 | \$ 190,038 | \$ 160,591 | \$ 48,485 | \$ 3,604,216 |
| Supplies and Travel | 76,203 | 38,924 | 163,817 | 13,723 | - | 292,667 |
| Services and Professional Fees | 52,413 | 7,787 | 2,500 | 80,741 | - | 143,441 |
| Venue, Office and Other | 512,217 | 196,229 | 107,819 | 89,953 | 81,093 | 987,311 |
| Depreciation and Amortization | - | 75,142 | - | - | - | 75,142 |
| Total | \$ 3,641,031 | \$ 522,986 | \$ 464,174 | \$ 345,008 | \$ 129,578 | \$ 5,102,777 |

THE LOUISIANA PHILHARMONIC ORCHESTRA

Notes to Financial Statements

Note 11. Pension Plan

The LPO participates in the American Federation of Musicians' and Employers' Pension Fund (the Fund). The Fund covers every musician employed by the LPO. Under the terms of the Fund, the LPO contributes 4.36% of all wages for musical services (as described in the AFM's Wage Scale Book). The amount contributed to the Fund for the years ended June 30, 2013 and 2012, totaled \$34,653 and \$35,246, respectively.

Note 12. Fair Value of Financial Instruments

The LPO's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with FASB ASC 820. See Note 1 for a description of the LPO's policies and valuation procedures.

The valuation of the LPO's assets and liabilities measured at fair value on a recurring basis are as follows:

| June 30, 2013 | Total | Level 1 | Level 2 | Level 3 |
|---------------------------------|---------------------|----------------|----------------|---------------------|
| Endowment Trust | \$ 868,475 | \$ - | \$ - | \$ 868,475 |
| Long-Term Bonds | 2,500 | - | - | 2,500 |
| Contributions Receivable | 1,006,041 | - | - | 1,006,041 |
| Total | \$ 1,877,016 | \$ - | \$ - | \$ 1,877,016 |
| June 30, 2012 | Total | Level 1 | Level 2 | Level 3 |
| Endowment Trust | \$ 823,915 | \$ - | \$ - | \$ 823,915 |
| Long-Term Bonds | 5,000 | - | - | 5,000 |
| Contributions Receivable | 642,829 | - | - | 642,829 |
| Total | \$ 1,471,744 | \$ - | \$ - | \$ 1,471,744 |

THE LOUISIANA PHILHARMONIC ORCHESTRA

Notes to Financial Statements

Note 12. Fair Value of Financial Instruments (Continued)

The changes in investments measured at fair value for which the LPO has used Level 3 inputs to determine fair value are as follows:

| June 30, 2013 | Level 3 Beginning Balance | Net Realized and Unrealized Gains (Losses) | Net Payments and Gifts | Net Purchases and Sales | Change in Present Value | Level 3 Ending Balance |
|------------------|---------------------------------|--|------------------------------|-------------------------------|-------------------------------|------------------------------|
| Endowment Trust | \$ 823,915 | \$ 44,560 | \$ - | \$ - | \$ - | \$ 868,475 |
| Long-Term Bonds | 5,000 | - | - | (2,500) | - | 2,500 |
| Unconditional | | | | | | |
| Promises to Give | 642,829 | - | 363,212 | - | - | 1,006,041 |
| Total | \$ 1,471,744 | \$ 44,560 | \$ 363,212 | \$ (2,500) | \$ - | \$ 1,877,016 |

| June 30, 2012 | Level 3 Beginning Balance | Net Realized and Unrealized Gains (Losses) | Net Payments and Gifts | Net Purchases and Sales | Change in Present Value | Level 3 Ending Balance |
|------------------|---------------------------------|--|------------------------------|-------------------------------|-------------------------------|------------------------------|
| Endowment Trust | \$ 834,057 | \$ (10,142) | \$ - | \$ - | \$ - | \$ 823,915 |
| Long-Term Bonds | 5,000 | - | - | - | - | 5,000 |
| Unconditional | | | | | | |
| Promises to Give | 1,494,445 | - | (851,616) | - | - | 642,829 |
| Total | \$ 2,333,502 | \$ (10,142) | \$ (851,616) | \$ - | \$ - | \$ 1,471,744 |

Note 13. Endowment Fund

As disclosed in Note 5, the LPO has an endowment with GNOF. The following is GNOF's policies for endowment funds.

GNOF follows a Total Return Spending Policy for its endowment funds. Endowment funds are invested for maximum total return (within acceptable risk parameters), without distinction between income and capital gains. The market value of the fund is measured over the past 12 quarters, and a percentage of the average of those values is made available for grants. This method appropriately puts the focus on the long-term growth of the fund. This, in turn, encourages the appropriate use of equities in the fund, helping the fund to grow at a rate greater than inflation. The annual percentage for 2012 distributions is 4%. This percentage is evaluated each year and adjusted as necessary.

The primary financial objective for GNOF is to increase the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, inflation, and costs of investment management. Endowment assets are invested in a well diversified asset mix, which includes equity securities, fixed income securities and alternative investments, which is intended to meet this objective. GNOF has established a 5% real rate of return objective for GNOF's portfolio. Actual returns in any given year may vary from this amount. Investment assets and allocation between asset classes and strategies are managed to not expose the endowment assets to unacceptable levels of risk.

THE LOUISIANA PHILHARMONIC ORCHESTRA

Notes to Financial Statements

Note 13. Endowment Fund (Continued)

The permanently restricted net assets also consist of contributions received which are held in a savings account and then subsequently transferred to GNOF at the board's designation.

Composition of and changes in endowment net assets were as follows:

| | GNOF | Donor | Total |
|------------------------------------|------------|------------|------------------------|
| June 30, 2013 | Endowment | Designated | Permanently Restricted |
| Permanently Restricted Endowment | | | |
| Net Assets, Beginning of Year | \$ 823,915 | \$ 566,877 | \$ 1,390,792 |
| Contributions / Donor Release, Net | - | - | - |
| Net Appreciation in Endowment | 44,560 | - | 44,560 |
| Permanently Restricted Endowment | | | |
| Net Assets, End of Year | \$ 868,475 | \$ 566,877 | \$ 1,435,352 |
| June 30, 2012 | GNOF | Donor | Total |
| | Endowment | Designated | Permanently Restricted |
| Permanently Restricted Endowment | | | |
| Net Assets, Beginning of Year | \$ 834,057 | \$ 566,877 | \$ 1,400,934 |
| Contributions / Donor Release, Net | - | - | - |
| Net Appreciation in Endowment | (10,142) | - | (10,142) |
| Permanently Restricted Endowment | | | |
| Net Assets, End of Year | \$ 823,915 | \$ 566,877 | \$ 1,390,792 |

Note 14. Uncertain Tax Positions

The LPO follows the provisions of FASB ASC 740, *Accounting for Uncertainty in Income Taxes*. The implementation of FASB ASC 740 had no impact on the Statements of Financial Position and the Statement of Activities.

All tax returns have been appropriately filed by the LPO. LPO recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. The LPO's tax filings are subject to audit by various taxing authorities, and its open audit periods are 2010 through 2012. Management evaluated the LPO's tax position and concluded that the LPO has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

THE LOUISIANA PHILHARMONIC ORCHESTRA

Notes to Financial Statements

Note 15. Pledge Write-Off

During the year ended June 30, 2012, the LPO wrote off the remaining \$400,000 of a multi-year grant that had been awarded in March 2010. There were no such pledge write-offs for the year ended June 30, 2013.

Note 16. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 17, 2013, and determined that no events have occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees and Members of
The Louisiana Philharmonic Orchestra

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of The Louisiana Philharmonic Orchestra (the LPO), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 17, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the LPO's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the LPO's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the LPO's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Louisiana Philharmonic Orchestra's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purposes of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the LPO's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the LPO's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

A handwritten signature in cursive script, appearing to read "LaForte".

A Professional Accounting Corporation

Metairie, LA
September 17, 2013